

Message Text

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ACTION EA-14

INFO OCT-01 EUR-25 IO-14 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 SCEM-02

INT-08 SCI-06 DRC-01 PC-04 AEC-11 ACDA-19 /244 W

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R 210430Z DEC 73

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 7441

INFO AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY LONDON

AMEMBASSY PHNOM PENH

AMEMBASSY SAIGON

AMEMBASSY SEOUL

AMEMBASSY SINGAPORE

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

AMEMBASSY VIENTIANE

AMECONSUL HONG KONG

CINCPAC

USMISSION USUN NEW YORK

USLO PEKING

AMCONSUL AUCKLAND

AMEMBASSY SUVA

C O N F I D E N T I A L SECTION 1 OF 2 WELLINGTON 3317

CINCPAC FOR POLAD

FROM CHARGE

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EO 11652: GDS

TAGS: PFOR, NZ, US

SUBJECT: NEW ZEALAND AS IT AFFECTS U.S.

REF: WELLINGTON 3213 (NOTAL)

CONTENTS: THIS TELEGRAM WILL DISCUSS A) PM KIRK;
B) HIS FOREIGN POLICY, C) HIS DOMESTIC BASE, AND D)
THE US ROLE

SUMMARY: KIRK IS A VERY EFFECTIVE AND VALUABLE LEADER
AND ALLY IN FOREIGN AFFAIRS WHO HAS SO FAR FAILED TO
FACE DECISIVELY THE DOMESTIC ECONOMIC PROBLEMS (ENERGY
AND INFLATION) WHICH THREATEN TO WEAKEN HIM AND HIS
COUNTRY. AS ALWAYS NZ NEEDS SYMPATHETIC US UNDER-
STANDING, ESPECIALLY OF KIRK'S QUIRKS, AND SOME FORMS
OF SPECIFIC HELP WHICH WOULD BE MUTUALLY BENEFICIAL.
THE ANZUS COUNCIL MEETING HERE GIVES US A GOOD OCCASION
TO ACT. END SUMMARY.

A. KIRK IS AN ACTIVE, MORALISTIC, SELF-MADE LABOUR
PARTY LEADER WHO DOMINATES HIS CABINET. AS A LABOUR
PARTY MAN WHO STARTED POOR AND SPEAKS FOR A
SMALL COUNTRY, HIS MORAL VIEW MAKES HIM WARY OF LARGE
COUNTRIES AND CORPORATIONS.

MATTERS WHICH ARE ANATHEMA TO HIM ARE RACIAL
DISCRIMINATION, WAR AND NUCLEAR TESTING. THESE FEELINGS
SOMETIMES WEAKEN HIS POLICIAL JUDGMENT. THUS HIS FIRST
REACTION TO THE FUEL CRIS WAS TO TRY AND CIRCUMVENT
THE BIG OIL COMPANIES AND SEEK NEW ZEALAND'S "FAIR
SHARE" DIRECTLY FROM ARAB NATIONS. THIS IMPRACTICAL
PREOCCUPATION HAS DANGEROUSLY DELAYED FUEL PLANNING
AND CONSERVATION IN NEW ZEALAND. THE ABOVE ALSO REFLECTS ANOTHER
CHARACTERISTIC: HIS DESIRE TO BUILD UP A CONSENSUS BEFORE
MAKING A DIFFICULT DECISION. THIS IS USEFUL IN HIS
SMALL COUNTRY'S DIPLOMATIC DEALINGS, BUT TOO OFTEN
DELAYS NECESSARY DOMESTIC DECISIONS. OTHWERWISE HE IS
A STRONG PERSONALITY AND A REALIST. HE LEARNS FAST,
LISTENS, AND THINKS BEFORE ACTING.

HIS DOMESTIC POLITICAL SUPPORT HAS SLIGHTLY
ERODED AFTER A YEAR IN OFFICE. ABROAD HE CONTINUES
TO GAIN RESPECT. WHILE HE ENJOYS HIS POLITICAL AND
FOREIGN ROLES AND IS TOURING ASIA, HE IS NEEDED AT
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HOME NOW TO FACE INFLATION WHICH HAS ACCELERATED SINCE
HE TOOK OFFICE A YEAR AGO AND HAS BEEN SPARKED FOR SIX
WEEKS BY THE FUEL CRIS. ON DEC 20 AS THE US GOVT ASKED
MOTORISTS TO CUT BACK TO 10 GALLOS N A WEEK, KIRK'S GOVT
ANNOUNCED A PAY RAISE. THIS CHRISTMAS PLUM FOR VOTERS IS NOT
ONLY BAD ECONOMICALLY, BUT POLITICALLY IT IS A POOR WAY TO
PREPARE PEOPLE FOR BELT TIGHTENING. IT ALSO IS AN EXAMPLE OF
THE GOVT'S PROPENSITY FOR INCOSISTENT SHORT TERM DECISIONS

WHICH WEAKEN CONFIDENCE.

IN APPOINTING HIS CABINET HE DIVIDED ENERGY MATTERS AMONG FIVE
MINISTERS WHO HAVE DEPARTED ON VACATION LEAVING CON-
TRADICTORY INSTRUCTIONS BEHIND THEM. KIRK IS A
POLITICAL MAN WITH GOOD FOREIGN POLICY IDEAS WHO MUST NOW DEAL
WITH THE GUT ISSUE -- HIS DOMESTIC ECONOMIC BASE.

B. HIS FOREIGN POLICY HAS BEEN REPORTED. BRIEFLY,
HIS CONCERN ABOUT JAPAN MAKES ANZUS THE FOUNDATION OF HIS POLICY.
HIS DESIRE TO EARN MORE INDEPENDENT
WHILE COOPERATING WITH THE US ON MAJOR ISSUES MAY MAKE HIM
A MORE INFLUENTIAL ALLY THAN IF HE FOLLOWED WITHOUT
POSITION IN OUR WAKE. HIS CONCEPT OF REGIONALISM FITS
THE NIXON DOCTRINE AND HE HAS SENSITIVELY ADJUSTED
IT, WITHOUT PUSHING, TO BE MORE ACCEPTABLE TO ASIAN
COUNTRIES. HE HAS SWALLOWED HIS CONCERN ABOUT JAPAN
AND HOPES IT WILL JOIN ANY EVOLVING ASU
ASLJXGAGXKR. (#)

BUT HE IS STILL RELUCTANT TO STRENGTHEN RELATIONS WITH
TWO MAJOR ASEAN PARTNERS, THAILAND AND THE PHILIPPINES.
HE HAS BECOME WILLING TO EXCLUDE FOR THE FORESEE-
ABLE FUTURE CHINA AND THE USSR AS TOO LARGE FOR AN SEA
GROUPING. HE HAS PUBLICLY CRITICIZED THE USSR FOR ITS
ATTEMPTS TO GROUP ASIAN NATIONS UNDER ITS AEGIS. HE HAS
HELPED INDONESIA TO CONSIDER AN AUSTRALIAN, INDONESIAN,
PNG, GUNZ ARRANGEMENT WHICH COULD BE REGIONALLY USEFUL.
MALIK HAS ASKED HIM TO TAKE THE LEAD. WORKING WITH
INDONESIA KIRK MIGHT HOLD DAMPEN AUSTRALIAN IMPULSIVE-
NESS. IN BRIEF IS EVOLVING A REGIONAL NZ ROLE OPEN
TO JAPAN. HE IS INCREASING NEW ZEALAND'S AID INCLUDING
MILITARY IN ASIA AND THE PACIFIC. HE IS FRIENDLY TO
AMERICANS, AGREES WITH OUR POLICY AND LEADS A RESPECTED
NATION TOO SMALL TO POSE A THREAT WHICH HELPS THE US ON
MANY ASIAN PACIFIC MATTERS.
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C. DOMESTIC BASE. HE HAS NOT ADEQUATELY GRASPED THE
ESSENTIALITY OF A STRONG DOMESTIC BASE FOR HIS POLICY.
HE SAYS LABOR RELATIONS HAVE BEEN THE MOST DIFFI-
CULT PROBLEM OF HIS FIRST YEAR IN OFFICE (REFTEL).
NEW ZEALANDERS AND THE EMBASSY STAFF AGREE. THE LABOUR
PARTY DEPENDS ON UNION SUPPORT AND CONTRIBUTIONS. HE
ADMITS HE HAS NO EFFECTIVE WEAPON BUT HE HAS DONE LITTLE
TO IMPLEMENT HIS INDUSTRIAL RELATIONS ACT WHICH IS TAUVX MVP(#) WAGE
TRIBUNALS.

NOTE BY OC/T: (#) AS RECEIVED.

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AMEMBASSY SUVA

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AN 8-1/2 PERCENT WAGE INCREASE WAS ANNOUNCED IN
AUGUST AND WAGES WERE TO BE HELD UNTIL FEB WHEN A COST
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OF LIVING INCREASE WAS TO BE GRANTED. THESE MILD RESTRAINTS WERE TO EXPIRE JUNE 30. THE DEC 20 DECISION TO ADVANCE THE COST OF LIVING INCREASE UNDOES THAT POLICY. AFTER JUNE 30 UNIONS WILL BE IN FOR ANOTHER INCREASE. PRICE CONTROL OF RETAILERS IS SPOTTY AND RESENTED. INFLATION IS ACCELERATING. THE LARGE, DEFICIT, BUDGET IS INFLATIONARY BUT HAS NOT BEEN UNBEARABLE BECAUSE EXPORT DEMAND AND PRICES FOR NZ PRODUCTS ARE VERY HIGH. THE ECONOMY HAS BEEN RUNNING FLAT OUT. BUT THE FUEL SHORTAGE WILL SLOW EXPORTS (DELAYS AND SLOWER DELIVERIES TO NEW ZEALAND'S CUSTOMERS WHO ARE ALL DISTANT) AND SO REDUCE EARNINGS. THERE ARE SO FEW RESERVES OF MONEY AND MANPOWER THAT THE GOVT SAYS IT WILL TAKE FOUR YEARS TO GET 200 MORE MEN INTO THE COAL MINES, NEW ZEALAND'S MOST OBVIOUS ALTERNATE ENERGY SOURCE. BUSINESS CONFIDENCE HAS DROPPED. THIS MAY, AT LEAST, MAKE MANPOWER LESS TIGHT. WITH ALL THIS NEW ZEALAND IS NOW STILL PROSPEROUS. BUT HARD DECISIONS MUST SOON BE MADE ON OIL (NEW ZEALAND DOES NOT HAVE ONE OIL WELL) AND INFLATION. NOT ENOUGH HAS BEEN DONE TO PREPARE THE KIWIS FOR THE REAL BELT TIGHTENING THEY MUST FACE. HE WILL BE AWAY UNTIL JAN 6. MOST MINISTERS ARE OUT OF TOWN. ROADS AND WATERWAYS ARE FILLED WITH GAS CONSUMING UNRATED HOLIDAY MAKERS. YET THE GOVT IS SO WORRIED ABOUT FUEL THAT THE EMBASSY IS HAVING THE GREATEST DIFFICULTY IN GETTING BUNKERING FOR OUR ICE BREAKERS WHICH SHOULD BE LEAVING NOW IN SUPPORT OF US AND NEW ZEALAND PERSONNEL IN THE ANTARCTIC. THIS DESPITE OUR NAVY'S PROMISE TO REPLACE ALL FUEL TAKEN FROM NEW ZEALAND.

D. THE US ROLE. WE MUST KEEP IN MIND KIRK'S SENSITIVITIES ON BIGNESS, WAR, NUCLEAR TESTING AND RACISM. NEW ZEALAND DESERVES OUR ATTENTION AS AN ENTITY SEPARATE FROM AUSTRALIA. WITH THESE POINTS IN MIND KIRK'S VISIT TO WASHINGTON, AND THE RESULTANT DECISIONS TO HOLD THE ANZUS COUNCIL MEETING HERE AND TO CONCLUDE A US-NZ SCIENTIFIC AND TECHNICAL AGREEMENT HAVE BEEN EXCELLENT. THE ARRIVAL OF A NEW AMBASSADOR AND MR. INGERSOLL'S VISIT WILL BE MOST WELCOME SIGNS OF US INTEREST IN NEW ZEALAND.

FURTHER USEFUL STEPS:

I. AT THE AMZUS MEETING OR ELSEWHEERE:

A. CONSIDER INVITING GOA TO JOIN THE S&T AGREEMENT MAKING IT A NON-MILITARY ANZUS PROJECT;

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B. COMPLIMENT KIRK OF MANTAINING FORCES IN ANZUK, OR TRIPLING HIS FOREIGN AID, ON HIS DECISION THAT JAPAN MUST BE OFFERED A CHANCE TO PARTICIPATE IN ANY FUTURE SEA GROUPING, ON HIS SUPPORT OF THE KHMER GOVERNMENT BY CONTINUING GNS'S CONTRIBUTION TO FEOFF AND SUPPORTING THE DEFERRAL VOTE AT THE UN AND OVERALL ON HIS PERCEPTIVE

APPROACH TO SEEKING A CONSTRUCTIVE AND ACCEPTABLE ROLE FOR NEW ZEALAND IN SEA AND THE PACIFIC.

C. ASSURE HIM THAT WE WILL CONTINUE OUR EXCHANGE OF INTELLIGENCE (WHICH HE PERSONALLY VALUES) AND INCREASE OUR CONSULTATIONS WITH NEW ZEALAND WHICH ARE VALUABLE TO US. FOR EXAMPLE, SINCE WE ARE BOTH INTERESTED IN THE PACIFIC HE HE WOULD WELCOME INFORMATION ABOUT MICRONESIA, AMERICAN SAMOA AND GUAM. SINCE BOTH OUR COUNTRIES GIVE AID TO PACIFIC ISLAND NATIONS AND TERRITORIES THERE CAN BE USEFUL DISCUSSION OF COORDINATING AID, INFORMATION PROGRAMS AND THE WORK OF OUR PEACE CORPS AND NEW ZEALAND'S EQUIVALENT, VOLUNTARY SERVICES ABROAD (BOTH WORK TOGETHER ON MANY OF THE SAME ISLANDS).

D. REMEMBERING HIS STRONG FEELINGS ON NUCLEAR TESTING GIVE HIM A COURTEOUS HEARING N HIS PACIFIC NUCLEAR FREE ZONE THEME.

II. TRADE AND TECHNOLOGY. THIS SHOULD BE APPROACHED CAREFULLY CONSIDERING KIRK'S RESERVATIONS ABOUT BIGNESS. IT SHOULD BE ON THE THEME OF MUTUAL BENEFIT AND WITH AWARENESS THAT KIRK RECOGNIZES NEW ZEALAND'S NEED FOR RESEARCH AND TECHNOLOGY. THUS THE IMPORTANCE OF AN S&T AGREEMENT TO HIM AND NZ'S UNILATERAL INCREASE IN FUNDS FOR THE NZ-US EDUCATIONAL FOUNDATIONS. HE WANTS TECHNICAL EDUCATION FROM NZUSEF. WE SHOULD TAKE HIM SERIOUSLY ON BOTH PROJECTS AND CERTAINLY MATCH HIS INCREASE IN NZ-USEF FUNDS.

NEW ZEALAND WELCOMES INVESTMENT WHICH IS MUTUALLY BEBEFICIAL ESPECIALLY IF IT INCREASES TECHNICAL KNOWLEDGE. INVESTORS SHOULD DISCUSS THEIR PLANS WITH THE EMBASSY TO AVOID THE PITFALLS OF BAD PUBLICITY. KRAFT CO. DIDN'T WHEN IT STARTED NEGOTIATIONS HERE IN 1970 AND IT HAS BEEN HURT BY BAD PUBLICITY. KIRK WORRIES THAT INTERNATIONAL TRADE CAUSES NEW ZEALAND TO IMPORT INFLATION. THIS IS NOT TRUE OF US IMPORTS SINCE OUR RATE OF INFLATION IS LOWER THAN NEW ZEALAND'S. KIRK WILL WELCOME ANY PROPOSALS FOR ENERGY SHARING AS WELL AS ENERGY RESEARCH.

MILITARILY ANZUS WOULD BE STRONGER IF NEW ZEALAND EARMARKED \$150,000 TO TAKE BETTER ADVANTAGE OF THE MILITARY
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EXCHANGE PROGRAMS OFFERED BY THE US.

COMMENT: NZ IS HIGHLY DEVELOPED AGRICULTURALLY, MODERATELY DEVELOPED IN ADMINISTRATION AND AN LDC IN INDUSTRY.
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Disposition Reason:
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